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THE ENVIRONMENT FUND AND ADMINISTRATIVE AND OTHER BUDGETARY MATTERS

Status of implementation of the recommendations by the Board of Auditors

Note by the Executive Director

1. By paragraph 2 of its decision 18/41, the Governing Council requested the Executive Director to provide an information document to the Governing Council at its nineteenth session on measures she has put in place in response to the queries raised by the auditors and the views expressed at the eighteenth session of the Council. The present document has been prepared in response to that request.

2. The recommendations have been taken from the reports of the Board of Auditors to the General Assembly on the accounts of the United Nations Environment Programme for the biennium 1992-1993 and 1994-1995 (A/49/5/Add.6 and A/51/5/Add.6) and are organized by subject.

3. It should be noted that, as of 1 January 1996, all issues concerning personnel, finance, support services, conference services, electronic services and United Nations security coordination fall under the United Nations Office at Nairobi (UNON). Thus, the responsibility of implementation relating to these falls directly under UNON.

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Area	Biennium	Para. No.	Recommendation	Status of implementation
1. PROGRAMME MANAGEMENT				
• Defining the role of UNEP in programme management • Role of field offices in programme formulation	94-95	11 (a) (15, 41-43)	The policy framework for interaction with non-governmental organizations involved in the field of environment should be further expedited. The catalytic role of UNEP and the role of field offices in programme planning, project formulation and implementation should be clearly defined.	The policy framework for interaction with NGOs and other major groups involved in the field of environment has been completed, following a consultation process with selected NGOs. The catalytic role of UNEP is already being exercised by drawing contributions from scientific and other communities on emerging environmental issues. Regional projects are now developed at the regional level in liaison with the substantive office at headquarters for the purposes of programme coordination. They are then sent to headquarters for approval. The regional offices have been involved in the selection of consultants for evaluation, drawing up terms of reference and supervising evaluation since 1995.
• Macro-level review of programme planning	94-95	11 (b) (16, 44-45)	The merits and demerits of the present system of top-down planning and its impact on project implementation should be reviewed to see whether a more composite and timely process should be developed in its place.	While there were some administrative delays in the preparation of the 1994-1995 programme of work and project approval, no such problems were experienced in the 1996-1997 programme, and most projects were approved by January 1996. The present UNEP planning system is already being initiated from the level of programme managers.

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2. PROJECT MANAGEMENT				
• Project planning and formulation	94-95	11 (c) (17, 46-49)	Planning and budgeting processes should be integrated by obtaining all necessary approvals for programmes and projects in accordance with a time schedule. Project implementation should be coordinated in such a way as to avoid an uneven flow of expenditures.	UNEP has established a Project Approval Group to review and approve projects and in general to improve project coordination. It started its operations in December 1995. Most of the project documents were already approved in January 1996.
• Project implementation	94-95	50-51	The Board is of the view that in order to avoid widespread project delays and cost overruns, UNEP should evolve a more detailed programme strategy taking into account fund constraints and other factors.	Since UNEP projects are funded on a voluntary basis, project implementation is subject to the availability of funds, which may result in time and cost overruns. A mid-term review has been undertaken in order to ensure that the work programme implemented is in line with the level of available funds. (See also the response to recommendation 11 (g) below.)
• Project implementation – budgetary control	94-95	11 (d) (18, 53-54)	A budgetary control mechanism should be put in place to avoid excess expenditures over allotments and late recording of expenditures.	The Board noted that as compared to earlier periods, the frequency in project revision was significantly less which was a positive achievement. Every effort is being made to ensure that project revisions are kept to a minimum.

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• Project implementation – outputs	92-93	10 (a) (13-14, 33-34)	Value for money consideration should be given adequate attention, not only while planning a project but also during its implementation, monitoring and evaluation. Further, methods and procedures should be devised to facilitate delivery of outputs of expected quality in accordance with the work plan and timetable set out in the project documents.	Delivery of project outputs is closely monitored by the Accountability, Monitoring and Reporting Unit (AMRU) in Corporate Planning and Accountability Service (CPAS). AMRU has prepared a report on "Implementation of UNEP programme 1994-1995", which is distributed to Governments as an inter-sessional Governing Council document. Starting in 1995, regional offices have been involved in project selection, planning.
• Project implementation – retention of a project consultant for other work • Continuation of a project for activities unconnected with it	92-93	10 (d) (45-47)	Activities directly undertaken by UNEP should invariably form part of internal projects and these should be monitored and evaluated properly. An operational project should not be used to provide temporary assistance for general programme management, as that practice vitiates budgetary control.	The improvements in reporting have made it possible to eliminate the occurence of such in the future. (See also the response to recommendation 10 (b) below.)

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• Project monitoring and evaluation	92-93	10 (b) (16, 48-50)	The format of project progress reports, terminal reports and self-evaluation fact sheets should be suitably changed to enable a more meaningful monitoring and evaluation of projects. The review of the UNEP manual on design, approval and evaluation, and the revision of procedures of evaluation, should be done early to ensure evaluation of a larger number of ongoing projects.	The format of progress reports and terminal reports was reviewed and the formats were changed by the Fund Programme Management Branch in 1995. The self-evaluation fact sheet was completely revised in 1994 by the CPAS Project Design and Evaluation Unit (PDEU) and is now more objective and better focused. These formats will be further modified in line with the new UNEP manual on project design, approval and evaluation currently being rewritten by PDEU/CPAS. The review of the manual was completed in 1995 by PDEU/CPAS, and the manual is being re-written with the view to making it more relevant given present developments. The manual will also be made more user-friendly and will simplify project processing and improve the quality of project. A first draft was produced in September 1996. The evaluation procedures were reviewed in 1994 and are reflected in the UNEP evaluation strategy paper. In the biennium 1994-1995, three times more projects were evaluated than in the 1992-1993 biennium. UNEP continues to increase the number of evaluations and to improve the quality of evaluation as a whole.

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• Project monitoring - instructions to implementing agencies	94-95	55-56	The Board's review of project documents revealed that the follow-up action to be taken by the executing agencies as a result of the review of half-yearly progress reports was not generally documented. The Board recommends that the Administration should record the results of the review and issue instructions to executing agencies regarding the follow-up action required.	UNEP maintains a database on executing agencies as part of its project management system. This arrangement makes it possible to analyse agency performance, including such factors as delays in reporting, frequency of revisions and fund utilization. Inefficient executing agencies will be identified and recommendations for weeding them out will be submitted to the UNEP management for decision.
• Database of implementing agencies	94-95	61	The Administration accepted the recommendation of the Board that the Project Management System should be utilized to weed out the inefficient executing agencies.	
• Project monitoring - inadequate documentation - lack of institutional memory	94-95	62-63	The Board recommended that UNEP should consider providing a history sheet in each project document file in which all events in the life of a project could be properly documented. The Board considered that such a system would help in building up institutional memory.	The UNEP manual on project design, approval and evaluation already provides tools (project progress report, terminal report, self-evaluation fact sheet) for collecting comprehensive information on the life of a project to meet evaluation and reporting requirements. With the abolition of the Central Registry, both the Programme Division and FPMB of UNEP will maintain a comprehensive filing system for each project. UNEP considers that these reports and filing system will more than adequately meet the audit requirements and therefore does not see the need to establish an additional history sheet.

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• Project evaluation and follow-up	94-95	59-60	The Board recommends that the system of evaluation of projects be improved by stronger follow-up action on outstanding terminal reports and evaluation fact sheets. UNEP should also establish more detailed procedures and guidelines for evaluation.	UNEP agrees with the recommendation. However, in the present tight financial situation, it does not have the means to carry out ex post facto evaluations. Every effort will be made to include necessary MASC funds for such evaluations in the 1998-1999 budget.
• Project evaluation and follow-up - impact assessment	92-93	10 (c) (15-16, 51-52)	Effective follow-up of seminars and training workshops should be instituted to ensure that the benefits of the related projects continue to reach the target groups, that the projects do not remain one-time activities and that they had the desired impact.	Follow-up action on seminars and workshops improved substantially in 1994-1995. Programme personnel are now regularly sending questionnaires to participants. During the biennium 1994-1995, PDEU/CPAS received more than double the numbers of questionnaires from participants as compared to the 1992-1993 biennium. The Board is pleased with the improvements.
• Delays in terminating completed projects	94-95	11 (e) (57-58)	UNEP should take measures to obtain the required documents so as to make possible the closure of all completed projects.	Action has been taken to solicit from executing agencies all outstanding project reports and to effect timely closure of projects. Further cash advances for ongoing projects are being withheld pending submission of outstanding reports.

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3. FINANCIAL MANAGEMENT				
• Budgetary assumptions	94-95	11 (g) (14, 35-40)	Budgetary assumptions should be modified to adopt an averaging method of estimating exchange rates and location specific vacancy-rates. UNEP should also prepare more realistic estimations of voluntary contributions.	MASC budgetary assumptions have been modified in line with these recommendations. The revised 1996-1997 and proposed 1998-1999 budgets will reflect these modifications. There is perhaps some misunderstanding on the estimates of voluntary contributions. The contributions assumptions used in budget documents prepared for the Governing Council are not estimates or even projections. They are no more than an estimation of the contributions that would be required to implement the programme proposed to the Governing Council, usually based on the programme requested by the Council at its previous session. Once the Council has approved a programme budget for the following biennium at its current session, an estimate of the contributions required to implement the approved budget is prepared. This represents the target for contributions for that biennium. That target has not in the past been recorded in the report of the Governing Council, but it is proposed that in the future it should be. Unfortunately, this adjusted target will not necessarily provide a protection against Governments reducing their contributions compared with the previous year (as has happened in the current biennium) or even against Governments not contributing at the level they agree in the Governing Council when they approve the programme.

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• Audit certificates	94-95	11 (f) (12, 31-32)	Efforts should be continued to ensure that all executing agencies provide audited expenditure statements and audit certificates in respect of monies released from the Environment Fund soon after the financial period is over.	The UNEP manual on project design, approval and evaluation sets out the conditions relating to the submission of audit certificates. UNEP has put in place the necessary measures in order to ensure the timely submission of the audited expenditure statements, i.e., UNEP will withhold future cash advances from those organizations who have not provided the audit certificate and will not enter into new contractual arrangements with supporting organizations who have not provided necessary audit documents.
• Reconciliation of inter-office vouchers	94-95	29	The Board recommends that UNEP should carry out periodic reconciliation of inter-office vouchers in concert with United Nations Headquarters.	UNON is implementing the recommendation.
• Accounts receivable	94-95	30	The Board recommends that the Administration should take measures to adjust or recover the advances (to other United Nations organizations, staff members, others) in accordance with United Nations rules and policies.	UNEP maintains a database on cash advances paid to executing agencies and monitors unspent balances as well as institutes action for their recovery. UNEP has set up a task force to look into this question with a view to implementing measures for detailed ageing analysis by 1 January 1997. The responsibility of following up the advances paid to staff members lies with UNON.
• Assets	92-93	12 (29-31)	Telecommunication taxes paid by UNEP over a period of several years ($308,823) remain to be reimbursed.	UNEP has made every effort to recover this money from the Government of Kenya. It has been successful to the extent that the amount due as at 30 June 1996 is only $22,375.32.

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• Liabilities	92-93	11 (28)	Although payments of $129,972 made in January and February 1994 related to the liabilities which accrued in the biennium 1992-1993, the accrued liabilities were not taken into account while finalizing the financial statements, thereby overstating the excess of income over expenditure ($5C1,838) of the Environment Fund by 35 per cent.	UNEP agreed to charge this expenditure of $129,972 to the prior year adjustment accounts which will be reflected only in the financial statements for 1994-95. UNON has implemented this recommendation.
• Cases of fraud	92-93	24 (74-76)	Owing to some laxity in the procedures for checking the validity of education grant claims, a fraud involving $41,206.63 was perpetrated by a staff member.	The staff member still owes the organization $34,080.45. The UNON Human Resources Management Service is working on recovering the money from the culprit. The matter is still pending.

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4. PUBLICATIONS				
• Planning of publishing and printing	94-95	11 (k) (20, 64-67)	More comprehensive annual publishing programmes should be established in concert with all programme managers. Guidelines should be issued, including the requirement of prior approval of the editorial committee, to prevent unplanned external printing of publications.	More efficient planning is now provided through the UNEP Publications Board, which will work closely with the Programme Coordination Committee. The 1996-1997 publishing programme has been approved by the Executive Director. The guidelines were issued on 20 August 1996 to effect that all requests for printing publications will be submitted first to the UNON Documents Reproduction and Distribution Unit for review to see if the work can be done in-house before contacts for outside quotations are made. Printing of publications under a co-publishing programme are an exception. The UNEP publishing manual requires all publications to be approved by the editorial committee. Thus, separate guidelines are not needed to this effect.
• Pricing policy of publications	94-95	68	UNEP had not priced most of its publications because of the absence of a pricing policy.	As recommended by the Board of Auditors, UNEP has since established an appropriate pricing policy and has also revised its publications manual to cover pricing.
• Bibliography	92-93	10 (e) (17, 53-54)	An annotated bibliography of all UNEP publications should be issued and it should be updated periodically to inform all concerned of the outputs and to help avoid possible duplication of efforts.	The new publications board has been assigned the task of studying all audit recommendations on this subject to determine the best course of action.

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5. PROCUREMENT				
• Purchase plan	94-95	11 (h) (21, 69-72)	The practice of placing piecemeal purchase orders for commonly used commodities should be avoided. UNEP must ensure that each substantive unit prepares a purchase plan based on need, which collectively should form UNEP's annual procurement plan.	This work is proceeding according to schedule and will be submitted to UNON in 1996. UNON will finalize.
• Failure to encourage competitive bidding • Delays in delivery of goods and services • Scope for local purchase • Documentation	92-93	10 (f) (18-21, 55-59)	The proposed overall review of the entire procurement system should, among other things, address the need to maximize the competitive bidding through advance planning of purchases, discourage delays in vendor deliveries by incorporating a suitable penalty clause in purchase orders, assess the advantages of local instead of international procurement for appropriate purchase action, and improve the documentation of procurement cases.	UNON is implementing the recommendation. All these recommendations were reiterated in the 1994-1995 report as below.
• Competitive bidding	94-95	9 (69)	UNEP should take further measures to implement fully the Board's recommendation that competitive bidding should be maximized through advance planning of purchases.	UNON is implementing the recommendation.
• Observance of financial rules on contracts and purchases	94-95	11 (i) (22, 73-77)	The established rules and procedures on procurement, including those relating to competitive bidding should be enforced more rigorously.	UNON is implementing the recommendation.

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• Delays in delivery of goods	94-95	11 (j) (23, 78-80)	Deliveries of supplies by vendors should be monitored against stipulated time schedules and a vendor performance system should be established early. Inclusion of a penalty clause in contracts, at least on a selective basis, should be considered.	UNON is implementing the recommendation.
6. CONFERENCE SERVICES				
	94-95	11 (m) (27, 86)	The possibility of renting out the available surplus capacity of the conference facilities should be considered.	UNON is implementing the recommendation.
7. HUMAN RESOURCES MANAGEMENT				
• Job description	94-95	85 (26)	The Board recommends that the Administration take effective measures to finalize expeditiously job descriptions for all posts.	Classification of posts will be completed by December 1996. No posts are filled without having been classified.

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• Consultants and experts	92-93	10 (g) (22, 60-69)	Adequate checks and balances should be built into the process of engagement of consultants and a periodic review instituted to ensure that there is no violation or circumvention of the well-established procedures and regulations in future.	On 5 March 1995, UNEP issued revised guidelines for recruitment of consultants to ensure that consultancies are awarded on the basis of established need, expertise and value for money. UNEP will also make every effort to select consultants from the full range of countries, including developing countries and countries with economies in transition, taking due consideration of geographical and gender balance. Additionally, as a result of the merging of the administrations of Habitat and UNEP on 1 January 1996, a comprehensive review is being undertaken on the procedure governing and recruitment of consultants (e.g. fees) to improve comparative evaluation while at the same time harmonizing the procedures of UNEP, Habitat and UNON. A joint working group has been set up for the purpose. The roster of candidates is also in the process of being updated. The Executive Director has reported on the status of consultancies on a quarterly basis to the Committee of Permanent Representatives. The information, which is regularly reported includes details of the purpose of consultancies awarded, length of consultancies, geographical distribution of consultants, amount paid, and evaluation of completed consultancies.
	94-95	11 (l) (24-25, 81-84)	Appointment of consultants should be regulated in line with the established policies; the roster of consultants should be reviewed and updated periodically. Selection of consultants should be made after considering alternate candidates by widening the search for prospective candidates. Guidelines should be established for determining consultants fees.	

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8. EDP SYSTEMS				
• Systems analysis • Utilization of systems	92-93	10 (h) (23, 70-73)	The system documentation of the existing EDP systems should be improved. A method should be devised to periodically evaluate the utilization of available information technology facilities, and there should be proper systems analysis before undertaking new computerization projects.	The work of the task force on information systems has led to a complete reorganization of information technology activities. Systems development activities have been consolidated in the Management Information Service of the United Nations Office at Nairobi. All new systems development activities are being carried out with the change-over to state-of-the-art software products used for systems implementation. Documentation of old systems is being revised for systems maintenance purposes. Feasibility and cost/benefit analyses are conducted through periodic meetings with users. Designs are reviewed using design documents and proto-figures before implementation. In the view of the clarifications, the Board has no further comments. The position will be reviewed further after implementation of the Integrated Management System (IMIS) in UNEP.